Virginia Enterprise Zones

Tax Credit Instruction Manual

The Virginia Enterprise Zone Program

January 2003

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DHCD Department of Housing and Community Development

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INTRODUCTION

The Virginia Enterprise Zone Program supports business expansion and development in specially targeted areas throughout the state. It was created in 1982 by the Enterprise Zone Act to stimulate local economic growth and neighborhood revitalization.

An enterprise zone is an economically distressed area of a county, city or town designated by the Governor to offer a package of state and local incentives for a period of 20 years. The incentives are designed to encourage business start-up, recruitment and expansion through state and local tax relief, local regulatory flexibility and infrastructure development.

Businesses, large and small, new and expanding, manufacturing and retail may all participate in the program provided that their business is located within an enterprise zone and certain qualification requirements are met. Each enterprise zone is in effect for a period of 20 years from the date of its designation and a business firm may choose to participate in the program at any time during the existence of a zone.

There are more than 50 Enterprise Zones across the state in a variety of settings, including the heart of urban areas, small downtowns and office and industrial parks. To determine if your business is located within an enterprise zone, contact the appropriate local zone office listed in Appendix A.

ABOUT THIS MANUAL

This manual provides instructions for qualifying for the Enterprise Zone tax credit incentives. In addition to this manual, each tax credit requires a specific qualification form, which is listed below.

Existing Business – General Income Tax Credit (Form EZ-6E)
New Business – General Income Tax Credit (Form EZ-6N)
Real Property Improvement Tax Credit (Form EZ-6R)
Investment Tax Credit (Form EZ-6I)

The state Enterprise Zone Program also provides grants for job creation. There is a separate instruction manual and qualification form for Job Grants (Form EZ-6J).

This manual first presents general information about the process to qualify for and claim tax credits. This is followed by the specific qualification requirements for each of the tax credits, as well as any limitations that might apply to their usage.

In addition to reading this manual, business firms and CPAs are strongly encouraged to review the Program Regulations before completing the qualification forms. A copy of the regulations may be downloaded from the DHCD web site (www.dhcd.state.va.us).

If you have any questions about qualifying for state incentives or other aspects of the program, or need forms please contact:

Virginia Department of Housing and Community Development
Community Revitalization and Development Office
501 North Second Street
Richmond, Virginia 23219-1321
(804) 371-7030
ezone@dhcd.state.va.us
www.dhcd.state.va.us.

ABOUT THE STATE INCENTIVES

Each enterprise zone is in effect for a period of 20 years from the date of its designation. A business firm may choose to participate in the program at any time during the existence of a zone. To offer maximum flexibility, the incentives may be used together or independently at the pleasure of the business.

The specific qualification requirements for each incentive are discussed in a separate section of this manual. A general discussion of each state incentive follows

> The ten-year <u>general income tax credit</u> is applied against a business's state tax liability in an amount up to 80 percent in year one and 60 percent in years two through ten. For businesses investing at least $15 million and creating 50 jobs, the amount of credit is subject to negotiation between the business and DHCD. Businesses qualifying after July 1, 1997 must have 25 percent of new jobs filled by low-income individuals or zone residents. Businesses that qualified prior to July 1, 1997 must continue to have 40 percent of their new jobs filled by low-income individuals or zone residents.
>
> The <u>real property improvement tax credit</u> is equal to an amount of up to 30 percent of qualified non-residential zone improvements with a maximum amount not to exceed $125,000 within a five-year period. Qualified improvements in new construction projects must cost at least $250,000. Qualified improvements in rehabilitation or expansion projects must cost at least $50,000 or the value of the building’s assessment before the improvement, whichever is greater. The applicant must own and conduct business in the building or be a tenant making leasehold improvements to the building. The credit is refundable. If the business’s state tax liability is less than the credit allocated the remaining balance would be refunded.
>
> The <u>investment tax credit</u> applies against a business's state tax liability for businesses investing at least $100 million and creating 200 jobs. The percentage amount of the credit is negotiable and could be worth up to five percent of the investment. Business firms qualifying for the investment tax credit have the option of taking this incentive *in lieu* of the real property improvement tax credit.
>
> <u>Job grants</u> for new permanent full-time positions created by business start-ups and expansions by existing firms are available in amounts equal to $1,000 per zone resident and $500 for positions filled by a non-zone resident. The maximum grant to any one firm per year is $100,000 for three consecutive calendar years commencing with the first year. Businesses may qualify for more than one three-year job grant period provided the business firm creates additional permanent full-time positions.

State Fiscal Limitations on Tax Credits

The general income tax credits and the real property tax credit for small qualified zone businesses and small qualified zone residents are subject to a combined annual fiscal limit of $16 million per fiscal year, which ends June 30th of every year.

Large qualified business firms and large qualified zone residents are subject to an annual fiscal limit of $3 million per fiscal year. If requests for tax credits from the $16 million pool are exceeded, and requests from large qualified business firms and large qualified zone residents are less than $3 million, then any remaining funds from the $3 million pool can be allocated to small qualified zone businesses and small qualified zone residents. However, in the event that tax credit requests exceed the Commonwealth's total annual fiscal limits of $19 million, taxpayers are granted a *pro rata* amount by DHCD. Each taxpayer will receive an equitable share of tax credits.

If tax credits are prorated, then the prorated amount is the full credit to which taxpayers are entitled for that taxable year. Any credit that is not used in that taxable year because of proration cannot be carried back to a preceding taxable year and is not refundable in a future year.

ENTERPRISE ZONE TAX CREDITS QUALIFICATION PROCESS

Submittal Deadlines

Firms that are seeking qualification for any of the Enterprise Zone Tax Credits will follow this same basic process. The specific qualification requirements for the general income tax credits, the real property tax credit and the investment tax credit are discussed under the corresponding sections of this manual.

1. Firms must send qualification forms to DHCD by May 1st of the calendar year following the end of the tax year for which the business is seeking tax credits. Qualification forms must be sent by certified mail (postmarked on or before May 1st) or hand delivered (arriving at DHCD by 5 pm May 1st). UPS and FedEx type delivery are considered hand delivery and must arrive at DHCD by 5 pm May 1st.

2. DHCD reviews all applications for completeness and notifies the CPAs and business firms of any errors by June 1st. Business firms must respond to any unresolved issues by June 15th.

3. DHCD notifies firms of their qualification by June 30th. All qualified businesses are sent a Certificate of Qualification, which indicates the amount of the tax credit they may claim for that taxable year. (DHCD will also notify firms if they fail to qualify.)

4. DHCD also notifies the Commissioner, Virginia Department of Taxation or, in the case of public service companies, the Director of Public Service Taxation for the State Corporation Commission, the amount of tax credits the firm is certified to receive.

5. Qualified firms that are partnerships, Subchapter S Corporations, or Limited Liability Corporations must send an electronic version of partner or shareholder details to the Department of Taxation with their tax credit qualification. This should be submitted as soon as possible after receiving qualification information from DHCD in July. The Department of Taxation will not be able to process individual returns that claim a tax credit until the necessary tax credit information has been received from the original parent company. Appendix D outlines details about this requirement.

Late Submittals

Applications submitted after the May 1st deadline are treated as applications for amending a tax return as described below. If a firm submits an initial application for a general income tax credit after the application deadline and no credits remain available for the taxable year for which the firm is requesting the credit, the firm may choose to qualify for the program and not receive a tax credit, or to wait to apply for the general tax credit in another taxable year.

Requests for real property tax credits must be for the year in which the property was first placed in service after the construction, improvement or expansion has been made. Firms that submit an application for a real property tax credit after the application deadline run the risk that the credit cap has been reached and no credits remain available for the taxable year.

Amending Past Tax Returns

Business firms may amend past tax returns to request tax credits. This must be done within three subsequent tax years immediately following the taxable year for which credits are sought. Amendment requests submitted after the applicable May 1st deadline are handled on a first-come, first-serve basis, provided that tax credits are still available for a particular tax year. Contact DHCD to learn if credits are available for a particular tax year.

Claiming Enterprise Zone Tax Credits

General Income, Real Property and Investment tax credits are claimed when the firm files its state tax return. A qualified business firm must file its Certificate of Qualification, a Virginia Tax Form 301-Enterprise Zone Credit, and a Schedule CR with its state tax return. The Department of Taxation or the State Corporation Commission will not grant the tax credits unless the firm submits its Certificate of Qualification, a Form 301, and a Schedule CR with its state tax return. Form 301 and Schedule CR are available from the Department of Taxation's web site (www.tax.state.va.us). Questions about these forms should be directed to the Taxpayer Assistance office of the Department of Taxation. Corporations should call (804) 367-8031, and individuals should call (804) 367-8037.

When a partnership, S-Corp or LLC requests a credit against State individual income tax on behalf of its partners or shareholders, each partner or shareholder must attach a copy of Form 301, Schedule CR and a copy of the firm's Certificate to its state individual income tax return. In addition, the original parent company (the business that qualified for the tax credit) must provide the Department of Taxation with an electronic version of details about its partners or shareholders. This information should be submitted as soon as possible after receiving qualification information from DHCD in July. The Department of Taxation will not be able to process individual returns that claim a tax credit until the necessary tax credit information has been received from the original parent company.

Virginia Department of Taxation
Pass Through Reporting Requirement

In order to track the use of tax credits in Virginia, , beginning with Tax Year 2002, any **partnership, S-Corp or LLC parent company** must provide the Virginia Department of Taxation with an electronic version of the details of its partners or shareholders down to the individual taxpayer level. (NOTE: Taxation is developing a form that may also be used to submit this data. No release date has been specified.) Appendix D outlines the details of this requirement.

Tax Credits Attributable to Conduct of Business within the Zone

The general income tax credits, the real property tax credit and investment tax credit apply only to taxable income, net capital or gross premium receipts attributable to conduct of business within the zone. When a firm has taxable income from business activity within and outside of the enterprise zone, it must determine the amount of income attributable to the conduct of business within the zone. An overview of this process is located in Appendix C. Refer to the Program Regulations for specific details about this process. The Program Regulations are available on the DHCD web site (www.dhcd.state.va.us).

GENERAL INCOME TAX CREDITS

The General Income Tax Credit allows qualified business firms to take a substantial credit against their state income, net capital or gross premium receipts for a period of ten years. The credit is equal to 80 percent of the firm's tax liability in year 1 and 60 percent in years 2 through 10. As long as a business firm qualifies for the tax credit, the business firm selects what year it would like to start its ten-year qualification period by submitting its first application. For businesses investing at least $15 million and creating 50 jobs the amount of the credit is subject to negotiation with DHCD. Please contact DHCD at (804) 371-7030 to discuss this.

Businesses qualify for the General Income Tax Credit as either a new or an existing firm. A business is considered an existing firm, if it meets one of the following scenarios:

- The date the applicant began operating its business in the zone is before the date the zone was designated. (Appendix A lists the designation dates of all zones.)
- The applicant was engaged in business in Virginia and relocated to a zone.
- The business was conducted in Virginia and was acquired by a new taxpayer, who is the applicant.

A business is considered a new firm, if it meets one of the following scenarios:

- The applicant's business was not previously conducted in Virginia and operation of it began after the zone was designated. (Appendix A lists the designation dates of all zones.)
- After the zone designation date, a Virginia business opens an additional establishment or a new facility in the zone.

A business should check with the local zone administrator (contact information in Appendix A) to determine if it is located in a zone and the date that zone was designated. If a business is uncertain about whether it is "new" or "existing," it should contact DHCD before completing a general income tax credit application.

Qualification Requirements

TO QUALIFY AS AN EXISTING BUSINESS:

- A business must increase the average number of permanent full-time employees at the firm's zone establishment by at least 10 percent above the total average employment for the firm's zone establishment in a base year; and
- At least 25 percent of the employment increase must meet the low-income standards for the area, based on family size, or must be zone residents. (This increase must be at least 40 percent for businesses that qualified prior to July 1, 1997). Low-income limits by zone are available on the DHCD web site (www.dhcd.state.va.us) or from the local enterprise zone administrator (contact information in Appendix A). Low-income employees will always be considered low-income, even if their family income changes, as long as employed by the

zone firm. Zone residency must be verified by the local zone administrator annually.

TO QUALIFY AS A NEW BUSINESS FIRM:

- At least 25 percent of total employment must meet the low-income standards for the area based on family size or must be zone residents. (This increase must be at least 40 percent for businesses that qualified prior to July 1, 1997.) Low-income limits by zone are available on the DHCD web site (www.dhcd.state.va.us) or from the local enterprise zone administrator (contact information in Appendix A). Low-income employees will always be considered low-income, even if their family income changes, as long as employed by the zone firm. Zone residency must be verified annually by the local zone administrator.

Subsequent Qualification Years

Firms must qualify each year of the ten-year grant period that they wish to receive general income tax credits. Existing firms must maintain the 10 percent increase in employment each year that they seek to qualify for state incentives but are not required to increase employment by 10 percent each year.

Both new and existing firms must maintain the 25 percent (or 40 percent for businesses that qualified prior to July 1, 1997) low-income or zone resident ratio to the increase in employment. An employee must be counted as either *low-income* or a *zone resident.* If a person meets the qualifications for low-income and for being a zone resident, he can only be considered one of these.

Firms that initially qualify as a new business will continue to be considered a new business throughout their entire grant period. They should continue to use Form EZ-6N to qualify.

General Limitations

LIMIT ON RECEIVING GENERAL INCOME TAX CREDITS

Firms may receive state general income tax credits for a period of ten consecutive tax years. If a firm fails to qualify for any year during their qualification period, it forfeits the right to request state tax incentives for that year. However, the firm is still eligible to qualify for state incentives for any remaining taxable years left in the qualification period.

In addition, a firm may not qualify for the Virginia Enterprise Program longer than its original qualification period by reorganizing or changing its form in a manner that does not alter the basis of the firm's assets or result in a taxable event.

PROHIBITION OF DUPLICATION OF GOVERNMENT ASSISTANCE

A business firm may not use the same expenses to qualify for tax incentives under this program and to qualify for tax incentives under another State program such as the Neighborhood Assistance Act.

GENERAL INCOME TAX CREDITS NOT TO EXCEED TAX LIABILITY
The state income, net capital or gross receipts tax credits claimed under the general tax credit may not exceed the business firm's income, net capital, gross or gross premium receipts liability. These tax credits are not refundable and may not be carried forward to future tax years.

Employment Restrictions

The following positions cannot be included in the calculation of permanent full-time employment:

1. A seasonal, temporary, leased or contract labor position.

2. A person that was previously employed in the same job function in Virginia by a related party, or a trade or business under common control. (A person's job function that is eliminated at a non-zone location and then moved to a enterprise zone location).

3. An employee who is employed by the firm in Virginia and is transferred from outside a zone location to a zone location. In certain instances transferred employees may be included provided there is not a net loss in permanent full-time employment.

4. An employee whose previous job function previously qualified for a credit in connection with a different enterprise zone location on behalf of the taxpayer, a related party, or a trade or business under common control (cannot claim the same job twice).

5. An employee who was employed by a enterprise zone firm in the Commonwealth and the trade or business was purchased by another taxpayer.

PART-TIME EMPLOYEES
Part-time employees may not be included in calculating permanent full time employment unless they are part of a job share program. If two or more individuals share the same position and together work the normal number of hours a week as required by the business firm for that one position, then those employees can be counted as one full-time employee.

1,680 HOURS-PER-YEAR EMPLOYEES
Business firms may include employees that work a minimum of 1,680 hours during the calendar year in the calculation of permanent full-time positions. However, the employee must have been hired during the tax year, *worked a minimum of 1,680 hours* during the tax year and *received the standard fringe benefits* paid by the business firm.

Employees hired to work a 1,680 hours per year position with standard fringe benefits but are employed for less than a full taxable year can be included in the average number of permanent full-time employees. The business firm must be able to show that: (i) the hours worked by the employee for each payroll period can be averaged as a full-time employee working at least 35 hours a week during the payroll period; or, (ii) the employee can be combined with another part-time employee that worked at least 20 hours per week during the payroll period.

NET LOSS IN PERMANENT FULL-TIME EMPLOYMENT

The purpose of the Enterprise Zone program is to encourage the creation of net new employment in the state. Under some situations a firm may transfer permanent full-time employees from a non-zone facility to a zone facility that results in a reduction in the gross permanent full-time employment at the business firm's non-zone facility. This results in a net loss of employment. When that happens the transferred employees cannot be included in the calculation of the average number of full-time employees employed by the business firm within the enterprise zone unless another permanent full-time employee is hired to replace the transferred employee at the non-zone facility.

DETERMINATION OF LOW-INCOME STATUS

Low-income status is determined by the amount of the employee's family income during the 12 months prior to being employed with the zone business, not by the amount the zone business pays the employee. Low-income status verification is only required upon initial employment. (A sample income verification form is on page 30.) Low-income employees will always be considered low-income, even if their family income changes, as long as employed by the zone firm. Updated annual family income standards are available on the DHCD web site (www.dhcd.state.va.us) or from the local enterprise zone administrator (contact information in Appendix A). Use the income limits for the calendar year in which the employee was hired. To ease preparation of the tax credit application, business firms are advised to collect certification of income forms at the time they hire each employee.

DETERMINATION OF ZONE RESIDENCY

A zone resident is a person whose principal place of residency is located within the boundaries of any enterprise zone in Virginia. Zone residency must be verified annually and can be determined by the employee's address for receipt of W-2 forms or any subsequent address changes made during employment. If an employee's W-2 address is a post office box, the applicant must determine the employee's physical address before the employee can be considered a zone resident. Zone residency is subject to annual verification. To determine zone residency, contact the local zone administrator (contact information in Appendix A), who will verify that an employee's address is within the zone boundaries.

Required Records

Business firms seeking to qualify for the General Income Tax Credit should keep careful records of an employee's income status and zone residency. Determination of income status should be done at the time of hiring, even if the firm does not anticipate immediate participation in the Enterprise Zone program. Firms may have new employees complete an employee self-certification form once they are hired. A sample of the form is provided on page 30.

All firms must retain the method and information used to calculate base year employment. In addition, records of employees' zone residency must also be kept by firms whose qualification for a general tax credit includes zone residents.

Keep records for a period of six years for tax audit purposes.

Submission Checklist for General Income Tax Credits

Please do not hesitate to call us at (804)371-7030 or e-mail us at Ezone@dhcd.state.va.us with any questions you might have about how to qualify or complete the applications. Incomplete or incorrect applications will be returned to the CPA, with a copy sent to the applicant. Please complete the form carefully and use this checklist to avoid common mistakes.

- ❑ The correct form is being used for the type of business, New or Existing, as defined on page 11. Firms that used the 6N, New Business form in their first qualification year will continue to use that form in years 2 –10.
- ❑ Form EZ-6E/EZ-6N has been completed and signed by both the business firm representative and a CPA licensed in Virginia. Provide the Virginia license number of the CPA.
- ❑ Business firms with at least 50 employees and $15 million in investment have negotiated the amount of the credit with DHCD.
- ❑ Business firms wishing to amend past tax returns to request tax credits have contacted DHCD to learn if credits are available for that prior year.

Remember These Tax Credit Deadlines
May 1st – Firm submits to DHCD.
June 1st – DHCD notifies firm of deficiencies.
June 15th – Firm resubmits, if necessary.
June 30th – DHCD notifies firm of qualification.
July – Qualified Partnerships, S-Corps, and LLCs send Taxation an electronic version of details about partners or shareholders. See Appendix D.
If any of the required submittal dates fall on a weekend or holiday, the due date is the next business day.

Step-by-Step Instructions for Completing Form EZ-6E – General Income Tax Credits for Existing Businesses

Note: Print form EZ-6E on 8½" x 14" paper.

PART I: BACKGROUND INFORMATION

1. **Zone Name**
   - Indicate the zone's name, number and designation date, as listed in Appendix A.
   - Contact the local zone administrator (contact information in Appendix A) to verify in which zone the applicant is located.

   Date Business Began Operation in the Zone
   - Indicate the month, day, and year the applicant started operating its business at the zone establishment.

2. **Business Firm Legal Name**
   - Indicate the applicant's legal business firm name.

   Trading Name
   - Indicate the applicant's trading name, if different than its legal name.

3. **Federal Employment ID# (FEIN)**
   - Indicate the applicant's nine digit Federal Employment Identification Number.

   Activity #
   - Indicate the three-digit activity number that applies to the applicant's business type.
   - Activity numbers are listed in Appendix B.

4. **Principal Mailing Address**
   - Indicate the applicant's mailing address.
   - The tax credit certificate and any related correspondence will be mailed to this address.

5. **Physical Address of zone establishment**
   - If the physical location of the applicant's business operation in the zone is different than the applicant's mailing address, indicate the physical address here.
   - Check with the local zone administrator (contact information in Appendix A) to verify that the physical address of the business is located within the zone.

6. **Business Firm Contact Person**
   - List the name, title, daytime phone number, and e-mail address of the employee who can answer questions about this application. This person cannot be the CPA who is certifying the application.

7. **Parent Company**
   - If the applicant is a subsidiary, list the name and federal identification number (FEIN) of the parent company.

8. Check the Type of Existing Business

- This describes the applicant at the date the business began operation in the zone. If one of the choices does not apply to the applicant, contact DHCD to discuss this issue immediately via e-mail at ezone@dhcd.state.va.us or via telephone at (804) 371-7030.
- Check the same type for each year of a business's ten-year qualification period.

9. Check the type of Business Organization

- If "other" is checked, write a description.

10. Check the type of state tax that applies to this firm

- Applicants who are organized as a sole proprietor, partnership, Subchapter S Corporation, or LLC, usually check "individual income tax."

PART II: QUALIFICATION INFORMATION

1. Qualification year number

- Check the appropriate number to indicate what year of the ten-year qualification period this application represents.

2. Qualification taxable year

- Indicate the applicant's taxable year for which tax credits are being requested.
- List the month, day, and year of the starting date and of the ending date of the taxable year.
- Applications are due to DHCD by May 1st of the calendar year following the end date of the qualification tax year. For example, if the qualification tax year ending date falls between January 1, 2002 and December 31, 2002, this application is due May 1, 2003. If the qualification tax year ending date falls between January 1, 2003 and December 31, 2003, this application is due May 1, 2004. Other examples include, if the qualification tax year ends on December 31, 2002, this application is due May 1, 2003. If the qualification tax year ending date is March 30, 2003, this application is due May 1, 2004.
- Exception under §441(f) of the Internal Revenue Code: For applicants with tax years in accordance with §441(f) of the Internal Revenue Code on or before January 7 of the subsequent year, applications requesting a general income tax credit shall be submitted to the department by no later than May 1 of the subsequent calendar year. For example, if an applicant's tax year, in accordance with §441(f) of the Internal Revenue Code, ends by January 7, 2003, this application is due May 1, 2003.

3. Base taxable year

- Indicate the taxable year that the applicant selected for its base year.
- List the month, day, and year of the starting date and of the ending date of this taxable year.

- This <u>base taxable year remains the same for each of the ten years of qualification</u> for the General Income Tax Credit.
- The base taxable year is one of the two taxable years immediately preceding the first year of qualification, at the choice of the applicant.

4. <u>Step-by-Step Employment Test Calculations</u>

Note: “PFTE” indicates “permanent full-time employee,” as defined by the Virginia Enterprise Zone Program Regulations.

PART II, LINE 4.A. BASE YEAR – OUTSIDE THE ZONE

1. Count the total number of PFTE the applicant employed at its Virginia establishment(s) outside the zone, during each payroll period of the base year. (If the applicant did not employ PFTE at an establishment outside of the zone, this number is “0.”)
2. Divide this number by the number of payroll periods in the base year. The result is the average number of PFTE employed outside the zone during the base year. Enter this number on line 4.A. in Part II.

What is considered a permanent full time employee (PFTE)?

According to the Virginia Enterprise Zone Program Regulations, a “permanent full-time employee” means a person employed by a business firm who is normally scheduled to work either:

1. a minimum of thirty-five hours per week for the entire normal year of the business firm’s operations, which normal year must consist of at least forty-eight weeks,
2. a minimum of thirty-five hours per week for a portion of the taxable year in which the employee was initially hired for, or transferred to the business firm, or
3. a minimum of 1,680 hours per year if the standard fringe benefits are paid by the business firm for the employee.

Permanent full-time employee also means two or more individuals who together share the same job position and together work the normal number of hours a week as required by the business firm for that one position.

Seasonal, temporary, leased or contract labor employees or employees shifted from an existing location in the Commonwealth to a business firm location within an enterprise zone do not qualify as permanent full-time employees.

PART II, LINE 4.B. BASE YEAR – INSIDE THE ZONE

1. Count the total number of PFTE the applicant employed at the applicant's establishment(s) inside the zone, during each payroll period of the base year. (If the applicant did not employ PFTE at its zone establishment(s) during the base year, this number is "0.")
2. Divide this number by the number of payroll periods in the base year. The result is the average number of PFTE employed at the zone establishment(s) during the base year. Enter this number on line 4.B. in Part II.

How do I calculate the average number of permanent full time employees?

According to the Virginia Enterprise Zone Program Regulations, the "average number of permanent full-time employees" means the number of permanent full-time employees during each payroll period of a business firm's taxable year divided by the number of payroll periods:

1. A business firm may count only those permanent full-time employees who worked at least half of their normal work days during the payroll period. Paid leave time may be counted as work time.
2. For a business firm which uses different payroll periods for different classes of employees, the average number of permanent full-time employees of the firm is defined as the sum of the average number of permanent full-time employees for each class of employee.

PART II, LINE 4.C. QUALIFICATION YEAR – OUTSIDE THE ZONE

1. Count the total number of PFTE the applicant employed at its Virginia establishment(s) outside the zone, during each payroll period of the qualification year.
2. Divide this number by the number of payroll periods in the qualification year. The result is the average number of PFTE employed outside the zone during the qualification year. Enter this number on line 4.C. in Part II.

PART II, LINE 4.D. QUALIFICATION YEAR – INSIDE THE ZONE

1. Count the total number of PFTE the applicant employed at its establishment(s) inside the zone, during each payroll period of the qualification year. (If the applicant did not employ PFTE at its zone establishment(s) during the qualification year, it will not qualify for the general income tax credit.)
2. Divide this number by the number of payroll periods in the qualification year. The result is the average number of PFTE employed inside the zone during the qualification year. Enter this number on line 4.D. in Part II.

PART II, LINE 4.E. – SHIFTS/TRANSFERS MADE AFTER THE BASE YEAR

This applies to applicants who shifted or transferred jobs from a Virginia establishment outside the zone to its zone establishment after the base year. For example, a relocating firm may transfer all its jobs from its former location outside of the zone to its zone establishment. These shifted jobs cannot be counted as part of a firm's required job increase for qualification. The applicant lists these shifted/transferred jobs on line 4.E.

1. Determine the PFTE the applicant shifted/transferred from a Virginia establishment outside the zone to the zone establishment after the base year. Count the total number of these PFTE the applicant employed during each payroll period of the qualification

year. (If the applicant did not employ PFTE outside of the zone in the base year, this number will be "0.")

2. Divide this number by the number of payroll periods in the qualification year. The result is the average number of PFTE shifts/transfers. Enter this number on line 4.E. in Part II.

PART II, LINE 4.F – QUALIFICATION YEAR – INSIDE THE ZONE – NOT SHIFTED/TRANSFERRED

Subtract line 4.E from line 4.D. Enter the result on Line 4.F. This is the average number of PFTE that were employed at the zone location during the qualification year and were not shifted/transferred from outside the zone.

PART II, LINE 4.G – HIRED INSIDE ZONE AFTER BASE YEAR

Subtract line 4.B from line 4.F. Enter the result on Line 4.G. This is the average number of new PFTE that were hired at the zone location after the base year.

PART II, LINE 4.H – PERCENT INCREASE OF PFTE

Divide line 4.G by line 4.B and multiply the result by 100. Round to the nearest whole percent. (If line 4.B = 0, divide line 4.G by line 4.A and multiply the result by 100. Round to the nearest whole percent.) Enter the whole percent number on line 4.H. This whole percent number must be "10" or greater for an applicant to qualify for General Income Tax Credits.

PART II, LINE 4.I – NEW LOW-INCOME EMPLOYEES

Low-income status is not determined by the wage paid to the employee once he works for the applicant. Low-income persons are defined by the Virginia Enterprise Zone Program as persons whose family income during the twelve months prior to being hired by the applicant were 80 percent or less of the area median income. Once a person meets the low-income standard as defined by this program, he remains a hired low-income person for as long as the applicant employs him. Area income standards are available on the DHCD web site (www.dhcd.state.va.us) or from the local enterprise zone administrator (contact information in Appendix A). Page 30 shows a sample low- income certification form that applicants may use to determine low-income status when hiring employees. This sample form may be downloaded from the DHCD web site (www.dhcd.state.va.us).

To calculate line 4.I:

1. Determine the PFTE hired by the firm after the base year who qualified as "low-income" before they were hired. (See explanation above.) NOTE: An employee may not be considered low-income and a zone resident. The applicant must select into which category to place any employee who qualifies under both requirements.
2. Count the number of these new "low-income" PFTE for each payroll period of the qualification year.
3. Divide this number by the number of payroll periods in the qualification year. The result is the average number of "low-income" new PFTE. Enter this number on line 4.I. in Part II.

PART II, LINE 4.J – NEW ZONE RESIDENT EMPLOYEES

A zone resident is a person whose principal place of residency is located within the boundaries of any enterprise zone in Virginia. Zone residency must be verified annually and can be determined by the employee's address for receipt of W-2 forms or any subsequent address changes made during employment. If an employee's W-2 address is a post office box, the applicant must determine the employee's physical address before the employee can be considered a zone resident. The local enterprise zone administrator (contact information in Appendix A) can assist the applicant in determination of zone residency.

To calculate line 4.J:

1. Determine the PFTE hired by the firm after the base year who qualify as "zone residents." (See explanation above.) NOTE: An employee may not be considered low-income and a zone resident. The applicant must select into which category to place any employee who qualifies under both requirements.
2. Count the number of these new "zone resident" PFTE for each payroll period of the qualification year.
3. Divide this number by the number of payroll periods in the qualification year. The result is the average number of "zone resident" new PFTE. Enter this number on line 4.J. in Part II.

PART II, LINE 4.K – NEW LOW-INCOME AND ZONE RESIDENT EMPLOYEES

Add line 4.I to line 4.J. Enter the result on line 4.K.

PART II, LINE 4.L – PERCENT INCREASE OF NEW LOW-INCOME AND ZONE RESIDENT EMPLOYEES

Divide line 4.K by line 4.G and multiply the result by 100. Round to the nearest whole percent. Enter the whole percent number on line 4.L. This whole percent number must be "25" or greater for an applicant to qualify for General Income Tax Credits.

5. Actual State Tax Liability for Qualification Year

- List the actual Virginia state tax liability attributable to the conduct of trade or business within the enterprise zone.
- List the tax liability, not taxable income.
- Applicants may need to amend or extend their state tax returns in order to benefit from this tax credit. General Income Tax Credits certificates are issued by DHCD by the July 1st that follows the May the application is due. See the explanation for Part II.2. Qualification Year to determine the May the application should be submitted.
- If, due to adjustments, the amount of actual tax liability as reported on the application changes, the amount of credit that the qualified business firm will be eligible to receive will not exceed the amount of credit authorized by DHCD. However, if, as a result of adjustments, the tax liability decreases from the amount stated on the application, the qualified business firm will receive a lower credit amount based on the new tax liability.
- Any applicant that has Virginia taxable income from business activity both inside and outside of the enterprise zone must allocate and apportion its Virginia taxable income attributable to the zone as explained in Appendix C.

6. Negotiated General Tax Credits

If the business firm was involved in a negotiated general tax credit, enter the total amount negotiated. If no amount has been negotiated, place "N/A" on this line. If you are unsure of the amount negotiated, contact DHCD via e-mail at ezone@dhcd.state.va.us or via telephone at (804) 371-7030. NOTE: Applicants investing at least $15 million and creating at least 50 jobs must have negotiated the amount of general income tax credit they may be eligible to receive.

PART III: DECLARATION

1. <u>Business Firm Representative</u>

The application is not complete without the signature, name, and title of an official, authorized representative of the applicant. This signature must be dated.

2. <u>Certified Public Accountant</u>

An independent certified public accountant (CPA) must sign, date, and complete this section of the application. The CPA must be certified in the Commonwealth of Virginia and must list his Virginia license number, daytime phone number, e-mail address, and mailing address. The CPA cannot be an employee of the applicant requesting qualification for state enterprise zone tax incentives.

See page 16 for a form EZ-6E submittal checklist.

Step-by-Step Instructions for Completing Form EZ-6N – General Income Tax Credits for New Businesses

Note: Print form EZ-6N on 8½" x 14" paper.

PART I: BACKGROUND INFORMATION

1. **Zone Name**
   - Indicate the zone's name, number and designation date, as listed in Appendix A.
   - Contact the local zone administrator (contact information in Appendix A) to verify in which zone the applicant is located.

   Date Business Began Operation in the Zone
   - Indicate the month, day, and year the applicant started operating its business at the zone establishment.

2. **Business Firm Legal Name**
   - Indicate the applicant's legal business firm name.

   Trading Name
   - Indicate the applicant's trading name, if different than its legal name.

3. **Federal Employment ID# (FEIN)**
   - Indicate the applicant's nine digit Federal Employment Identification Number.

   Activity #
   - Indicate the three-digit activity number that applies to the applicant's business type.
   - Activity numbers are listed in Appendix B.

4. **Principal Mailing Address**
   - Indicate the applicant's mailing address.
   - The tax credit certificate and any related correspondence will be mailed to this address.

5. **Physical Address of zone establishment**
   - If the physical location of the applicant's business operation in the zone is different than the applicant's mailing address, indicate the physical address here.
   - Check with the local zone administrator (contact information in Appendix A) to verify that the physical address of the business is located within the zone.

6. **Business Firm Contact Person**
   - List the name, title, daytime phone number, and e-mail address of the employee who can answer questions about this application. This person cannot be the CPA who is certifying the application.

7. **Parent Company**
   - If the applicant is a subsidiary, list the name and federal identification number (FEIN) of the parent company.

8. Check the Type of New Business

- This describes the applicant at the date the business began operation in the zone. If one of the choices does not apply to the applicant, contact DHCD to discuss this issue immediately via e-mail at ezone@dhcd.state.va.us or via telephone at (804) 371-7030.
- Check the same type for each year of a business's ten-year qualification period.

9. Check the type of Business Organization

- If "other" is checked, write a description.

10. Check the type of state tax that applies to this firm

- Applicants who are organized as a sole proprietor, partnership, Subchapter S Corporation, or LLC, usually check "individual income tax."

PART II: QUALIFICATION INFORMATION

1. Qualification year number

- Check the appropriate number to indicate what year of the ten-year qualification period this application represents.

2. Qualification taxable year

- Indicate the applicant's taxable year for which tax credits are being requested.
- List the month, day, and year of the starting date and of the ending date of the taxable year.
- Applications are due to DHCD by May 1st of the calendar year following the end date of the qualification tax year. For example, if the qualification tax year ending date falls between January 1, 2002 and December 31, 2002, this application is due May 1, 2003. If the qualification tax year ending date falls between January 1, 2003 and December 31, 2003, this application is due May 1, 2004. Other examples include, if the qualification tax year ends on December 31, 2002, this application is due May 1, 2003. If the qualification tax year ending date is March 30, 2003, this application is due May 1, 2004.
- Exception under §441(f) of the Internal Revenue Code: For applicants with tax years in accordance with §441(f) of the Internal Revenue Code on or before January 7 of the subsequent year, applications requesting a general income tax credit shall be submitted to the department by no later than May 1 of the subsequent calendar year. For example, if an applicant's tax year, in accordance with §441(f) of the Internal Revenue Code, ends by January 7, 2003, this application is due May 1, 2003.

3. Step-by-Step Employment Test Calculations

Note: "PFTE" indicates "permanent full time employee," as defined by the Virginia Enterprise Zone Program Regulations.

What is considered a permanent full time employee (PFTE)?

According to the Virginia Enterprise Zone Program Regulations, a "permanent full-time employee" means a person employed by a business firm who is normally scheduled to work either:

1. a minimum of thirty-five hours per week for the entire normal year of the business firm's operations, which normal year must consist of at least forty-eight weeks,
2. a minimum of thirty-five hours per week for a portion of the taxable year in which the employee was initially hired for, or transferred to the business firm, or
3. a minimum of 1,680 hours per year if the standard fringe benefits are paid by the business firm for the employee.

Permanent full-time employee also means two or more individuals who together share the same job position and together work the normal number of hours a week as required by the business firm for that one position.

Seasonal, temporary, leased or contract labor employees or employees shifted from an existing location in the Commonwealth to a business firm location within an enterprise zone do not qualify as permanent full-time employees.

PART II, LINE 3.A. PRIOR TO QUALIFICATION YEAR – OUTSIDE THE ZONE

1. Count the total number of PFTE the applicant employed at its Virginia establishment(s) outside the zone, during each payroll period of the year prior to the qualification year. (If the applicant did not employ PFTE at an establishment outside of the zone, this number is "0.")
2. Divide this number by the number of payroll periods in the year prior to the qualification year. The result is the average number of PFTE employed outside the zone prior to the qualification year. Enter this number on line 3.A. in Part II.

How do I calculate the average number of permanent full time employees?

According to the Virginia Enterprise Zone Program Regulations, the "average number of permanent full-time employees" means the number of permanent full-time employees during each payroll period of a business firm's taxable year divided by the number of payroll periods:

1. A business firm may count only those permanent full-time employees who worked at least half of their normal work days during the payroll period. Paid leave time may be counted as work time.
2. For a business firm which uses different payroll periods for different classes of employees, the average number of permanent full-time employees of the firm is defined as the sum of the average number of permanent full-time employees for each class of employee.

PART II, LINE 3.B. QUALIFICATION YEAR – OUTSIDE THE ZONE

1. Count the total number of PFTE the applicant employed at its Virginia establishment(s) outside the zone, during each payroll period of the qualification year. (If the applicant did not employ PFTE at an establishment outside of the zone, this number is "0.")
2. Divide this number by the number of payroll periods in the qualification year. The result is the average number of PFTE employed outside the zone during the qualification year. Enter this number on line 3.B. in Part II. (To qualify for General Income Tax Credits as a new business, this number must be equal to or greater than the number on line 3.A in Part II.)

PART II, LINE 3.C. QUALIFICATION YEAR – INSIDE THE ZONE

1. Count the total number of PFTE the applicant employed at its establishment(s) inside the zone, during each payroll period of the qualification year. (If the applicant did not employ PFTE at its zone establishment(s) during the qualification year, it will not qualify for the general income tax credit.)
2. Divide this number by the number of payroll periods in the qualification year. The result is the average number of PFTE employed inside the zone during the qualification year. Enter this number on line 3.C. in Part II.

PART II, LINE 3.D – NEW LOW-INCOME EMPLOYEES

Low-income status is not determined by the wage paid to the employee once he works for the applicant. Low-income persons are defined by the Virginia Enterprise Zone Program as persons whose family income during the twelve months prior to being hired by the applicant were 80 percent or less of the area median income. Once a person meets the low-income standard as defined by this program, he remains a hired low-income person for as long as the applicant employs him. Area income standards are available on the DHCD web site (www.dhcd.state.va.us) or from the local enterprise zone administrator (contact information in Appendix A). Page 30 shows a sample income certification form that applicants may use to determine low-income status when hiring employees. This sample form may be downloaded from the DHCD web site (www.dhcd.state.va.us).

1. Determine the PFTE employed by the firm at the zone establishment(s) during the qualification year who qualified as "low-income" before they were hired. (See explanation above.) NOTE: An employee may not be considered low-income and a zone resident. The applicant must select into which category to place any employee who qualifies under both requirements.
2. Count the number of these new "low-income" PFTE for each payroll period of the qualification year.
3. Divide this number by the number of payroll periods in the qualification year. The result is the average number of "low-income" new PFTE. Enter this number on line 3.D. in Part II.

PART II, LINE 3.E – NEW ZONE RESIDENT EMPLOYEES

A zone resident is a person whose principal place of residency is located with the boundaries of any enterprise zone in Virginia. Zone residency must be verified annually and can be determined by the employee's address for receipt of W-2 forms or any subsequent address changes made during employment. If an employee's W-2 address is a post office box, the applicant must determine the employee's physical address before the employee can be considered a zone resident. The local enterprise zone administrator (contact information in Appendix A) can assist the applicant in determination of zone residency.

1. Determine the PFTE employed by the firm at the zone establishment(s) during the qualification year who qualify as "zone residents." (See explanation above.) NOTE: An employee may not be considered low-income and a zone resident. The applicant must select into which category to place any employee who qualifies under both requirements.
2. Count the number of these new "zone resident" PFTE for each payroll period of the qualification year.
3. Divide this number by the number of payroll periods in the qualification year. The result is the average number of "zone resident" new PFTE. Enter this number on line 3.E. in Part II.

PART II, LINE 3.F – NEW LOW-INCOME AND ZONE RESIDENT EMPLOYEES

Add line 3.D to line 3.E. Enter the result on line 3.F.

PART II, LINE 3.G – PERCENT INCREASE OF NEW LOW-INCOME AND ZONE RESIDENT EMPLOYEES

Divide line 3.F by line 3.C and multiply the result by 100. Round to the nearest whole percent. Enter the whole percent number on line 3.G. (This whole percent number must be "25" or greater for an applicant to qualify for General Income Tax Credits.)

4. <u>Actual State Tax Liability for Qualification Year</u>

- List the <u>actual</u> Virginia state tax liability attributable to the conduct of trade or business within the enterprise zone.
- List the tax liability, not taxable income.
- Applicants may need to amend or extend their state tax returns in order to benefit from this tax credit. General Income Tax Credits certificates are issued by DHCD at the end of June that follows the May the application is due. See the explanation for Part II.2. Qualification Year.
- If, due to adjustments, the amount of actual tax liability as reported on the application changes, the amount of credit that the qualified business firm will be eligible to receive will not exceed the amount of credit authorized by DHCD. However, if, as a result of adjustments, the tax liability decreases from the amount stated on the application, the qualified business firm will receive a lower credit amount based on the new tax liability.
- Any applicant that has Virginia taxable income from business activity both inside and outside of the enterprise zone must allocate and apportion its Virginia taxable income attributable to the zone as explained in Appendix C.

5. <u>Negotiated General Tax Credits</u>

If the business firm was involved in a negotiated general tax credit, enter the total amount negotiated. If no amount has been negotiated, place "N/A" on this line. If you are unsure of the amount negotiated, contact DHCD via e-mail at ezone@dhcd.state.va.us or via telephone at (804) 371-7030. NOTE: Applicants investing at least $15 million and creating at least 50 jobs must have negotiated the amount of general income tax credit they may be eligible to receive.

PART III: DECLARATION

1. **<u>Business Firm Representative</u>**
   The application is not complete without the signature, name, and title of an official, authorized representative of the applicant. This signature must be dated.

2. **<u>Certified Public Accountant</u>**
   An independent certified public accountant (CPA) must sign, date, and complete this section of the application. The CPA must be certified in the Commonwealth of Virginia and must list his Virginia license number, daytime phone number, e-mail address, and mailing address. The CPA cannot be an employee of the applicant requesting qualification for state enterprise zone tax incentives.

See page 16 for a form EZ-6N submittal checklist.

Sample Low-Income Certification Form

EXAMPLE
EMPLOYEE LOW INCOME STATUS FORM

____
Company Name

I certify that my family size during the period (1) _______________ through (2) _______________ was (3) ________ persons, and that to the best of my knowledge, my family income during that period was (5) above/below (4) $________________.

Signature __________________________ Date (6) ____________________

Address ________________________________
____
____

Date of Hire ________________________________

INSTRUCTIONS

(1) Fill in the month one year prior to the month you were hired.
(2) Fill in the month prior to the month you were hired.
(3) Fill in the number of persons living with you who are related by blood, marriage or adoption. Exclude anyone over 18 years old who receives less than half his support from the family.
(4) Using the table below, fill in the income amount for your family size.
(5) Circle one above or below the amount in (4). Family income means the total income received by all family members over age 16. Family income includes wages, interest and dividend income, Social Security, alimony and child support. Do not include public assistance (welfare) payments, disability payments or unemployment benefits.
(6) Complete the rest of the form and sign.

# of Persons in Family	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
Hired in 2002	$24,150	$27,600	$31,050	$34,500	$37,250	$40,000	$42,750	$45,500
Hired in 2001	$23,850	$27,250	$30,650	$34,100	$36,800	$39,550	$42,250	$45,000
Hired in 2000	$22,850	$26,100	$29,400	$32,650	$35,250	$37,850	$40,450	$43,100
Hired in 1999	$22,450	$25,650	$28,850	$32,100	$34,650	$37,200	$39,800	$42,350
Hired in 1998	$21,050	$24,050	$27,050	$30,100	$32,500	$34,900	$37,300	$39,700

REAL PROPERTY TAX CREDITS

The Real Property Improvement Tax Credit allows qualified business firms to take a credit against their state income, net capital or gross premium receipts based on a percentage of new construction, rehabilitation or expansion costs of non-residential real property located within an Enterprise Zone. If the tax liability is less than the value of the credit, the difference is provided as a refund.

Business firms meeting the qualification requirements that follow are eligible for a refundable tax credit of 30 percent of the cost of the qualified zone improvements made, up to $125,000 in any one five year period. The tax credit must be taken for the tax year in which the improved property was first placed in service. The final Certificate of Occupancy, Final Inspection Report or Notice, as issued by the local building official, determines this date.

Qualification Requirements

To qualify, the business firm seeking the credit must:

1. Either own and occupy the property or be a tenant that makes leasehold improvements
2. Use the facility as a place of business
3. Make a minimum investment of qualified zone improvements, which are listed in the chart on page 34.

The property must be non-residential real property. DHCD refers to how a structure is taxed by the local government to determine if it is real property. This credit applies only to structures that are taxed as real property.

The minimum threshold investment requirements are:

New construction – At least $250,000 with respect to a single facility.

Rehabilitation or expansion – Either at least $50,000 or one that equals or exceeds the assessed value of the real property (not including the value of the land) prior to the improvements being made, which ever is greater. For example, if the assessed value of the real property prior to qualified improvements being made is less than $50,000, the minimum investment of the qualified improvements must be at least $50,000. However, if the assessed value of the real property prior to the improvements is $100,000, the minimum investment of qualified improvements must be at least $100,000.

Leasehold Improvements

A tenant may qualify for real property improvements if the improvements are invoiced to the tenant and are made as leasehold improvements.

New Construction Leasehold Improvements

A business firm making qualified leasehold improvements of at least $250,000 during the construction of a new building could qualify for the credit. The qualified improvements must be invoiced to the leaseholder, and the leaseholder can only claim the costs of qualified zone improvements that are actually paid for using cash equity or independently borrowed funds.

Real Property Tax Credits for Pass Through Entities

Pass through entities are eligible to receive tax credits under the following circumstances:

Wholly Owned Conduits

An operating company may form a wholly owned conduit entity, such as a limited liability company (LLC), to rehabilitate or construct a building that is to be leased to the operating company. The wholly owned conduit entity can qualify for the real property improvements tax credit provided the qualified expenses are paid by the wholly owned conduit entity and the operating company occupies the building. Any credit earned by the wholly owned conduit entity would pass through to the operating company.

Conduit entities formed by an operating company *and* a development firm to rehabilitate or construct a building that is to be leased to the operating company can qualify. The qualified expenses must be paid for by the conduit entity and the operating company must occupy the building. However, the actual credit is limited to the qualified expenses attributable to the operating company measured by its investment in the conduit entity. Any qualified expenses attributable to the development firm would not be permitted to earn the credit.

General Limitations

Limit on Receiving Real Property Improvement Tax Credits

A business firm may receive state real property tax credits in an amount of up to $125,000 within a five-year period. Firms are eligible to apply for additional real property improvement tax credits provided the improvements are made after the previous five-year period.

Qualifying More Than Once During a Five-Year Period

A business firm may qualify more than once for the real property improvement tax credit during a five-year period, up to the maximum credit amount of $125,000.

A business firm may claim the real property tax credit for additional renovation on a property that previously qualified. In such cases, the firm would use the most recent assessment provided by the local jurisdiction showing the newly assessed value of the building prior to the additional improvements being made. New construction projects must still have at least $250,000 in qualified improvements in order to qualify.

CAPITAL LEASE AGREEMENTS

In instances where a business firm enters into a capital lease agreement to purchase an asset, the lessee may be eligible for the real property improvement tax credit pursuant to the Code of Virginia §§ 59.1-280.1 B.

LIMIT ON GOVERNMENT ASSISTANCE

A business firm may not use the same expenses to qualify for the investment tax credit under this program. Business firms qualifying for the investment tax credit have the option of taking the investment tax credit *in lieu* of the real property improvement tax credit.

Required Records

Business firms participating in this incentive should keep careful records of the qualified zone improvements. These records must be kept for a period of six years for tax audit purposes.

Qualified Zone Improvements – Real Property Tax Credits

In general, qualified zone improvements must be construction hard costs. Soft costs are not considered improvements. DHCD refers to how an item is taxed to determine its status. In addition, machinery and tools are not considered improvements and may not be included in the calculation of the cost of qualified zone improvements. If an item in question is taxed as "machinery and tools" by the local government, it is not an allowable improvement for purposes of Real Property tax credit.

Allowable Improvements	Excluded Improvements
Qualified Zone Improvements: ✓ Excavation, grading (not eligible in new construction) ✓ Paving (not eligible in new construction) ✓ Driveways, roads, sidewalks (not eligible in new construction) ✓ Landscaping or other land improvements (not eligible in new construction) ✓ Demolition (not eligible in new construction) ✓ Carpentry ✓ Sheetrock, plaster ✓ Painting ✓ Ceilings ✓ Fixtures ✓ Doors, windows ✓ Fire suppression systems ✓ Roofing and flashing ✓ Exterior repair ✓ Cleaning and clean-up	NOT Qualified Zone Improvements: ✗ Furnishings ✗ Appraisal, architectural, engineering and interior design fees ✗ Loan fees; points or capitalized interest ✗ Legal, accounting, realtor, sales and marketing or other professional fees ✗ Closing costs ✗ Permits, user fees, zoning fees, impact fees, inspection fees ✗ Bids ✗ Insurance ✗ Signage or signs ✗ Utilities ✗ Bonding ✗ Copying ✗ Rent loss ✗ Temporary facilities ✗ Utility hook-up or access fees ✗ Outbuildings ✗ Well, septic, or sewer systems ✗ Land or building acquisition ✗ Basis of any property: (i) for which a credit was previously granted; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, or a trade or business under common control; or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person from whom acquired, or Internal Revenue Code §1014 (a).
For purposes of new construction, the following costs cannot be included in the calculation of qualified zone improvements: land improvements, paving, grading, driveways, and demolition.	

Submission Checklist for Real Property Improvement Tax Credits

Please do not hesitate to contact DHCD at (804)371-7030 or via e-mail at ezone@dhcd.state.va.us with any questions you might have about how to qualify or complete the applications. Incomplete or incorrect applications will be returned to the CPA, with a copy sent to the applicant. Please complete the form carefully and use this checklist to avoid common mistakes.

- ❑ Form EZ-6R has been completed and signed by both the business firm representative and a CPA licensed in Virginia. Provide the Virginia license number of the CPA.
- ❑ In the case of leasehold improvements, include a copy of the lease that indicates the leasee, leasor, and the total square footage being rented.
- ❑ If the applicant is a wholly owned conduit of the operating company, include a statement to that affect showing the relationship of the conduit to the operating company. This statement must be certified and signed by the same CPA completing the application form.
- ❑ Rehabilitation and expansion projects must include a copy of the real property assessment provided by the local jurisdiction indicating the assessed value of the building prior to the improvements being made.
- ❑ A list of the actual qualified improvements and costs made to the real property located in the zone. The improvements and costs must be itemized, and the list must be certified and signed by the same CPA completing the application form. An example of an itemized list is on page 39.
- ❑ A Final Certificate of Occupancy, Final Inspection notice or equivalent issued by the locality is included showing the date the building was placed in service. The date placed in service must fall within the tax year for which the business is seeking the credit.
- ❑ Business firms wishing to amend past tax returns to request tax credits should contact DHCD to learn if credits are available for that prior year.

Remember These Tax Credit Deadlines
May 1st – Firm submits to DHCD. **June 1st** – DHCD notifies firm of deficiencies. **June 15th –** Firm resubmits, if necessary. **June 30th** – DHCD notifies firm of qualification. **July** – Qualified Partnerships, S-Corps, and LLCs send Taxation an electronic version of details about partners or shareholders. See Appendix D. If any of the required submittal dates fall on a weekend or holiday, the due date is the next business day.

Step-by-Step Instructions for Completing Form EZ-6R – Real Property Improvement Tax Credits

Note: Print form EZ-6R on 8½“ x 14” paper.

PART I: BACKGROUND INFORMATION

1. **Zone Name**
   - Indicate the zone’s name, number and designation date, as listed in Appendix A.
   - Contact the local zone administrator (contact information in Appendix A) to verify in which zone the applicant is located.

2. **Date Real Property Placed in Service**
   - Indicate the month, day, and year the real property was placed in service.
   - This date must match the final Certificate of Occupancy, Final Inspection, or equivalent from the locality.
   - Attach a copy of the final Certificate of Occupancy, Final Inspection, or equivalent from the locality.

3. **Business Firm Legal Name**
   - Indicate the applicant’s legal business firm name.

   Trading Name
   - Indicate the applicant’s trading name, if different than its legal name.

4. **Federal Employment ID# (FEIN)**
   - Indicate the applicant’s nine digit Federal Employment Identification Number.

   Activity #
   - Indicate the three-digit activity number that applies to the applicant’s business type.
   - Activity numbers are listed in Appendix B.

5. **Principal Mailing Address**
   - Indicate the applicant’s mailing address.
   - The tax credit certificate and any related correspondence will be mailed to this address.

6. **Physical Address of zone establishment**
   - If the physical location of the applicant’s business operation in the zone is different than the applicant’s mailing address, indicate the physical address here.
   - Check with the local zone administrator (contact information in Appendix A) to verify that the physical address of the business is located within the zone.

7. **Business Firm Contact Person**
   - List the name, title, daytime phone number, and e-mail address of the employee who can answer questions about this application. This person cannot be the CPA who is certifying the application.

8. Parent Company

- If the applicant is a subsidiary, list the name and federal identification number (FEIN) of the parent company.

9. Check the Type of Applicant

- This describes the entity applying for the tax credits. If one of the choices does not apply to the applicant, contact DHCD to discuss this issue immediately via e-mail at ezone@dhcd.state.va.us or via telephone at (804) 371-7030.

10. Check the type of Real Property Improvement that was made

- Check the appropriate description.

11. Check the type of Business Organization

- If "other" is checked, write a description.

12. Check the type of state tax that applies to this firm

- Applicants who are organized as a sole proprietor, partnership, Subchapter S Corporation, or LLC, usually check "individual income tax."

PART II: QUALIFICATION INFORMATION

1. Qualification taxable year

- Indicate the applicant's taxable year for which tax credits are being requested.
- List the month, day, and year of the starting date and of the ending date of the taxable year.
- The date the real property was placed in service (listed in Part 1, line 2) must fall within the qualification taxable year.
- Applications are due to DHCD by May 1st of the calendar year following the end date of the qualification tax year. For example, if the qualification tax year ending date falls between January 1, 2002 and December 31, 2002, this application is due May 1, 2003. If the qualification tax year ending date falls between January 1, 2003 and December 31, 2003, this application is due May 1, 2004. Other examples include, if the qualification tax year ends on December 31, 2002, this application is due May 1, 2003. If the qualification tax year ending date is March 30, 2003, this application is due May 1, 2004.
- Exception under §441(f) of the Internal Revenue Code: For applicants with tax years in accordance with §441(f) of the Internal Revenue Code on or before January 7 of the subsequent year, applications requesting a general income tax credit shall be submitted to the department by no later than May 1 of the subsequent calendar year. For example, if an applicant's tax year, in accordance with §441(f) of the Internal Revenue Code, ends by January 7, 2003, this application is due May 1, 2003.

2. Eligibility Test

PART II, LINE 2.A.

- If the real property improvement was new construction, list "0" here.
- If the improvement was rehabilitation or expansion, list the assessed value of the real property prior to the rehabilitation or expansion. Obtain this number from the real property assessment provided by the local jurisdiction indicating the assessed value of the building prior to the improvements being made. Only show the assessed value of the building. Do not include the value of the land.

MULTI-TENANT PRORATION

If more than one tenant conducts business in the building, compile a multi-tenant proration to determine the portion of the assessed value of the building that applies to each tenant. Attach the proration calculation, a copy of the building's assessment from the local assessor's office and a copy of an executed lease that indicates the square footage being leased.

How Do I Calculate a Multi-Tenant Proration?

1. Obtain a verified assessment of the entire building from the locality's assessor's office.
2. Prorate the assessment based on the square footage of the building leased by each tenant.

PART II, LINE 2.B.

- Enter the dollar amount of qualified zone improvements made by the applicant. A list of qualified zone improvements is on page 34.
- Attach an <u>itemized</u> list of the improvements. This list must be certified and signed by the CPA completing the application. (See the example on this page.)

Example of Itemized List of Qualified Zone Improvements

Firm ABC made the following qualified zone improvements to the property in which it conducts business at 123 Main Street, Enterprise City, Virginia. This real property is located within the Enterprise City Enterprise Zone and was placed in service on March 1, 2002.

Carpentry	$17,000
Demolition	$ 4,800
Doors	$ 3,800
Electrical	$ 1,000
Exterior repair	$15,000
Fire suppression systems	$10,800
Fixtures	$ 3,000
Plaster	$ 2,200
Painting	$ 6,900
Sheetrock	$ 8,300
Total	$75,000

Certified by: *John Doe, CPA*
John Doe, CPA

PART II, LINE 2.C.

- Multiply line (B) by 0.30. This is the amount of tax credit the firm is requesting.
- This amount cannot exceed $125,000 within a five-year period. If the amount exceeds $125,000, list "$125,000" on line 2.C.

Sample List of Real Property Tax Credits Received in the Previous Four Tax Years

This example shows a list that would be submitted with an application for 2002 tax credits.

Firm ABC	
Tax Year	Amount of Real Property Tax Credits Received
1998	$23,000.33
1999	$0.00
2000	$0.00
2001	$0.00
Total	$23,000.33

In this example, "$23,000.33" would be placed on line 3 in Part II.
Since the maximum allowable real property tax credit that a firm may receive is $125,000 within a five-year period, Firm ABC is only eligible for up to $101,999.67 ($125,000 - $23,000.33) of real property tax credits for tax year 2002.

3. <u>Real Property Tax Credits Received Within the Last Four Tax Years</u>

- If the applicant has not received real property tax credits within its last four tax years, check "NO" and place "N/A" on line 3.
- If the applicant has received real property tax credits within its last four tax years, check "YES" and attach a list showing the year(s) and amount(s) of real property tax credits received. (See the example on this page.) Indicate the total amount of real property tax credits received in the previous four years on line 3.

PART III: DECLARATION

1. <u>Business Firm Representative</u>

The application is not complete without the signature, name, and title of an official, authorized representative of the applicant. This signature must be dated.

2. <u>Certified Public Accountant</u>

An independent certified public accountant (CPA) must sign, date, and complete this section of the application. The CPA must be certified in the Commonwealth of Virginia and must list his Virginia license number, daytime phone number, e-mail address, and mailing address. The CPA cannot be an employee of the applicant requesting qualification for state enterprise zone tax incentives.

See page 35 for a form EZ-6R submittal checklist.

INVESTMENT TAX CREDITS

Investment Tax Credits applied against state income, net capital or gross premium receipts are available to business firms making a significant investment in a Virginia Enterprise Zone. A business firm that is eligible for the investment tax credit must first negotiate the amount of the credit with DHCD. The firm will be required to meet agreed upon investment and job creation targets to qualify for and begin to claim the tax credit. Investment tax credits do have a carry forward provision and may be claimed until the credit has been fully used.

Qualification Requirements

To be eligible for the investment tax credit a business firm must meet the following requirements:

1. Be a tenant or owner whose place of business is located within the boundaries of an enterprise zone and
2. Make qualified zone investments in excess of $100 million that results in the creation of at least 200 permanent full-time positions.

Qualified zone investments are the sum of qualified zone improvements (See page 34.) and the cost of machinery, tools and equipment used in manufacturing tangible personal property within the zone and placed in service on or after July 1, 1995.

Machinery, tools, equipment, and real property that are leased through a capital lease and that are being depreciated by the lessee or that are transferred from out-of-state to a zone location by a business firm may be included as qualified zone investment. They must be valued using the depreciable basis for federal income tax purposes.

Machinery, tools, and equipment can not include the basis of any property: (i) for which a credit was previously granted under §59.1-280.1, Code of Virginia; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, as defined by Internal Revenue Code §267 (b) or a trade or business under common control, as defined by Internal Revenue Code §52 (b); or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person whom acquired, or Internal Revenue Code §1014 (a).

General Limitations

Capital Lease vs. Operational Lease Agreements

In instances where an asset is subject to a lease, and for federal income tax purposes the lease payments are capitalized and depreciated (a capital lease), the asset may be eligible for the investment tax credit pursuant to the Code of Virginia §§ 59.1-280.1 D in the hands of the lessee. Assuming the asset otherwise qualifies for the investment tax credit, the amount that is capitalized and subject to depreciation for federal tax purposes shall be the amount upon which the credit is based.

Where an asset is rented or leased and the lease payments deductible as incurred for federal income tax purposes (an operating lease), no investment tax credit is allowed with respect to such property.

LIMIT ON GOVERNMENT ASSISTANCE

A business firm may not use the same expense to qualify for the real property improvement tax credit under this program. Business firms qualifying for the investment tax credit have the option of taking the investment tax credit *in lieu* of the real property improvement tax credit.

Required Records

Business firms participating in this incentive should keep careful records of the qualified zone improvements and the number of new permanent full-time employees hired during the initial qualification year. These records must be kept for a period of six years for tax audit purposes.

Employment Restrictions

The following positions cannot be included in the calculation of permanent full-time employment:

1. Seasonal, temporary, leased or contract-labor positions.

2. A position that previously had the same job function in Virginia by a related party, or a trade or business under common control. (A position that is eliminated at a non-zone location and then moved to an enterprise zone location.)

3. A position of a firm in the Commonwealth that is transferred from outside of a zone location to a zone location. In certain instances transferred positions may be included provided there is not a net loss in permanent full-time positions.

4. An position that previously qualified for a credit in connection with a different enterprise zone location on behalf of the taxpayer, a related party, or a trade or business under common control (cannot claim the same job twice).

5. An position at an enterprise zone firm in the Commonwealth and the trade or business was purchased by another taxpayer.

1,680 HOURS-PER-YEAR EMPLOYEES

Business firms may include positions that require an employee to work a minimum of 1,680 hours during the calendar year in the calculation of permanent full-time positions. However, the employee must *receive the standard fringe benefits* paid by the business firm.

NET LOSS IN PERMANENT FULL-TIME EMPLOYMENT

The purpose of the Enterprise Zone program is to encourage the creation of net new employment in the state. Under some situations a firm may transfer permanent full-time positions from a non-zone facility to a zone facility that results in a reduction in the gross permanent full-time positions at the business firm's non-zone facility. This results in a net loss of employment. When that happens the transferred employees cannot be included in the calculation of the number of full-time positions employed by the business firm within the enterprise zone unless another permanent full-time positions is created to replace the transferred position at the non-zone facility.

More Information

Contact DHCD Associate Director Louellen Brumgard for more details about the Investment Tax Credit.

501 North Second Street
Richmond, Virginia 23219
(804) 371-7030
lbrumgard@dhcd.state.va.us

DEFINITIONS FOR ENTERPRISE ZONE TAX CREDITS

Note: For a comprehensive list of definitions, obtain a copy of the Enterprise Zone Regulations from DHCD via ezone@dhcd.state.va.us or from the web site www.dhcd.state.va.us.

AVERAGE NUMBER OF PERMANENT FULL-TIME EMPLOYEES:
the number of permanent full-time employees during each payroll period of a business firm's taxable year divided by the number of payroll periods:

1. A business firm may count only those permanent full-time employees who worked at least half of their normal workdays during the payroll period. Paid leave time may be counted as work time.
2. For a business firm that has different payroll periods for different classes of employees, use the sum of the average number of permanent full-time employees for each class of employee as the average number of permanent full-time employees.

BASE TAXABLE YEAR:
either of the two taxable years immediately preceding the first year of qualification, at the choice of the business firm.

BUSINESS FIRM:
any business entity, incorporated or unincorporated, which is authorized to do business in the Commonwealth of Virginia and which is subject to State individual income tax, State corporate income tax, State franchise or license tax on gross receipts, or State bank franchise tax on net taxable capital.

1. The term "business firm" includes partnerships and SCorps and which are not subject to State income tax as partnerships or corporations, but the taxable income of which is passed through to and taxed as income of individual partners and shareholders.
2. The term "business firm" does not include organizations non-profit businesses (i.e., are exempt from State income tax on all income except unrelated business taxable income as defined in the Federal Internal Revenue Code, Section 512; nor does it include homeowners associations as defined in the Federal Internal Revenue Code, Section 528.)

COMMON CONTROL:
those firms as defined by Internal Revenue Code § 52(b).

DEPARTMENT:
Virginia Department of Housing and Community Development or DHCD.

EMPLOYEE OF A ZONE ESTABLISHMENT:
a person employed by a business firm who is on the payroll of the firm's zone establishment(s). If an employee is on the payroll of two or more establishments of the firm, both inside and outside the zone, that employee must be assigned to the firm's zone

establishment(s) for at least one-half of his normally scheduled workdays to be considered a zone employee.

ESTABLISHMENT:

a single physical location where business is conducted and/or where services or industrial operations are performed.

1. A central administrative office is an establishment primarily engaged in management and general administrative functions performed centrally for other establishments of the same firm.
2. An auxiliary unit is an establishment primarily engaged in performing supporting services to other establishments of the same firm.

EXISTING BUSINESS FIRM:

one that was actively engaged in the conduct of trade or business in an area prior to such an area being designated as an enterprise zone or that was engaged in the conduct of trade or business in Virginia and relocates to begin operation of a trade or business within an enterprise zone;

one that was not previously conducted in the Commonwealth by such taxpayer who acquires or assumes a Virginia trade or business in the Commonwealth and continues its operations.

FAMILY:

(i) one or more persons living in a single residence who are related by blood, marriage or adoption. A stepchild or stepparent is considered to be related by marriage; (ii) one or more persons not living in the same residence but who were claimed as a dependent on another person's Federal Income Tax Return for the previous year is presumed, unless otherwise demonstrated, part of the other person's family; or (iii) an individual 18 or older who receives less than 50 percent of his support from the family, and who is not the principal earner nor the spouse of the principal earner, will not be considered a member of the family. Such an individual is considered a family of one.

FAMILY INCOME:

all income actually received by all family members over 16 from the following sources:

1. gross wages and salary (before deductions);
2. net self-employment income (gross receipts minus operating expenses);
3. interest and dividend earnings; and
4. other money income received from net rents, Old Age and Survivors Insurance (OASI), social security benefits, pensions, alimony, child support, and periodic income from insurance policy annuities and other sources.

The following types of income are excluded from family income:

1. non-cash benefits such as food stamps and housing assistance;
2. public assistance payments;
3. disability payments;
4. unemployment and employment training benefits;
5. capital gains and losses; and

6. one-time unearned income.

When computing family income, income of a spouse and/or other family members is counted for the portion of the income determination period that the person was actually a part of the family.

FAMILY SIZE:
the largest number of family members during the income determination period.

INCOME DETERMINATION PERIOD:
the 12 months immediately preceding the month in which the person was hired.

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT:
a public accountant certified and licensed by the Commonwealth of Virginia who is not an employee of the business firm seeking Enterprise Zone incentives.

LARGE QUALIFIED BUSINESS FIRM:
a qualified business firm making qualified zone investments in excess of $15 million and creating at least 50 permanent full-time positions.

LARGE QUALIFIED ZONE RESIDENT:
a qualified zone resident making qualified zone investments in excess of $100 million when such qualified zone investments result in the creation of 200 permanent full-time positions.

LOW-INCOME PERSON:
a person whose family income was less than or equal to 80 percent of area median family income during the income determination period. Persons who meet the definition of both low-income and zone resident may not be counted as both for purposes of meeting employment requirements. Qualifying business firms must claim these persons as either low-income or zone resident.

MEDIAN FAMILY INCOME:
the dollar amount, adjusted for family size, as determined annually by the Department for the city or county in which the zone is located.

NET LOSS (APPLIES TO FIRMS THAT RELOCATE OR EXPAND OPERATIONS):
(i) after relocating into an enterprise zone, a business firm's gross permanent full-time employment is less than before relocating into the zone; or (ii) after a business firm locates or expands within a zone, its gross permanent full-time employment at its non-zone locations(s) is less than before the zone location occurred.

NEW BUSINESS:
a business not previously conducted in the Commonwealth by such taxpayer and that begins operation in an enterprise zone after the zone was designated. A new business is also one created by the establishment of a new facility and new permanent full-time

employment in an enterprise zone by an existing business firm and does not result in a net loss of permanent full-time employment outside the zone.

PAYROLL PERIOD:
the period of time for which a business firm normally pays its employees.

PERMANENT FULL-TIME EMPLOYEE:
a person employed by a business firm who is normally scheduled to work either (i) a minimum of thirty-five hours per week for the entire normal year of the business firm's operations, which a normal year must consist of at least forty-eight weeks; (ii) a minimum of thirty-five hours per week for a portion of the taxable year in which the employee was initially hired for, or transferred to the business firm, or (iii) a minimum of 1,680 hours per year and the standard fringe benefits are paid by the business firm for the employee; (iv) two or more individuals who together share the same position and together work the normal number of hours a week as required by the business firm for that one position. (Seasonal, temporary, leased or contract labor positions, or employees shifted from an existing location in the Commonwealth to a business firm located within an enterprise zone may not qualify as permanent full-time employees.)

PERMANENT FULL-TIME POSITION:
a job of indefinite duration at a business firm located in an enterprise zone, requiring the employee to report for work within the enterprise zone and requiring either (i) a minimum of thirty-five hours of an employee's time a week for the entire normal year of the business firm's operations, which a normal year must consist of at least forty-eight weeks, or (ii) a minimum of thirty-five hours of an employee's time a week for a portion of the taxable year in which the employee was initially hired for, or transferred to the business firm, or (iii) a minimum of 1,680 hours per year and the standard fringe benefits are paid by the business firm for the employee. Seasonal, temporary, leased or contract labor positions, or a position created when a job function is shifted from an existing location in this Commonwealth to a business firm located within an enterprise zone shall not qualify as permanent full-time positions.

PLACED IN SERVICE:
(i) the final certificate of occupancy has been issued by the local jurisdiction for real property improvements; or (ii) the first moment that machinery becomes operational and is used in the manufacturing of a product for consumption; or (iii) in the case of tools and equipment it means the first moment they are used in the performance of duty or service.

QUALIFIED BUSINESS FIRM:
a business firm meeting the business firm requirements of job creation, low-income and zone resident employment specified in the enterprise regulations relating to general tax credit qualification and is designated a qualified business firm by the Department.

QUALIFIED ZONE IMPROVEMENTS:
the amount properly chargeable to a capital account for improvements to rehabilitate or expand depreciable non-residential real property placed in service during the taxable year within an enterprise zone, provided that the total amount of such improvements equals or

exceeds $50,000 and is equal to the assessed value of the real property prior to the improvements being made. It also includes the cost of any newly constructed depreciable non-residential real property (as opposed to rehabilitation and expansion) that is at least $250,000 with respect to a single facility.

Qualified zone improvements include expenditures associated with any exterior, structural, mechanical, or electrical improvements necessary to expand or rehabilitate a building for commercial or industrial use.

1. Qualified zone improvements include, but are not limited to, the costs associated with excavation, grading, paving, driveways, roads, sidewalks, landscaping or other land improvements, demolition, carpentry, sheetrock, plaster, painting, ceilings, fixtures, doors, windows, fire suppression systems, roofing and flashing, exterior repair, cleaning and clean-up.
2. Qualified zone improvements do not include (i) the cost of furnishings; (ii) any expenditure associated with appraisal, architectural, engineering and interior design fees, (iii) loan fees; points or capitalized interest; (iv) legal, accounting, realtor, sales and marketing or other professional fees; (v) closing costs, permits, user fees, zoning fees, impact fees, inspection fees; (vi) bids insurance, signage, utilities, bonding, copying, rent loss, or temporary facilities incurred during construction; utility hook-up or access fees; outbuildings or the cost of any well, septic, or sewer system; or (vii) cost of acquiring land or an existing building.
   Qualified zone improvements also do not include the basis of any property: (i) for which a credit was previously granted; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, or a trade or business under common control; or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of such property in the hands of the person from whom acquired, or Internal Revenue Code § 1014 (a).
3. For purposes of *new construction* the following costs also cannot be included in the calculation of qualified improvements: land, land improvements, paving, grading, driveways and interest.

QUALIFIED ZONE INVESTMENT:
the sum of qualified zone improvements as defined above and the cost of machinery, tools and equipment used in manufacturing tangible personal property within the zone and placed in service on or after July 1, 1995. Machinery, tools, equipment, and real property that are leased through a capital lease and that are being depreciated by the lessee or that are transferred from out-of-state to a zone location by a business firm may be included as qualified zone investment. Such leased or transferred machinery, tools, equipment, and real property must be valued using the depreciable basis for federal income tax purposes. Machinery, tools, and equipment shall not include the basis of any property: (i) for which a credit was previously granted under §59.1-280.1, Code of Virginia; (ii) which was previously placed in service in Virginia by the taxpayer, a related party, or a trade or business under common control; or (iii) which was previously in service in Virginia and has a basis in the hands of the person acquiring it, determined in whole or in part by reference to the basis of

such property in the hands of the person whom acquired, or Internal Revenue Code §1014 (a).

QUALIFIED ZONE RESIDENT:
an owner or tenant of real property located in an enterprise zone who expands or rehabilitates such real property to facilitate the conduct of a trade or business by such owner or tenant within the enterprise zone. In the case of a partnership, limited liability company or S-Corp, the term "qualified zone resident" means the partnership, Limited Liability Company or S-Corp.

RELATED PARTY:
those as defined by Internal Revenue Code § 267(b).

SCORP:
any small business corporation taxed under Subchapter S of the Federal Internal Revenue Code.

SINGLE FACILITY:
one or more buildings constructed simultaneously at a single physical location within an enterprise zone that are necessary to facilitate the conduct of trade or business. This definition applies to new construction.

SEASONAL EMPLOYMENT:
any employee who normally works on a full-time basis and whose customary annual employment is less than 9 months. For example, individuals hired by a CPA firm during the tax return season in order to process returns and who work full-time over a three-month period are seasonal employees.

SMALL QUALIFIED BUSINESS FIRM:
any qualified business firm other than a large qualified business firm, i.e. has less than $15 million in qualified zone investments and/or creates fewer than 50 permanent full-time positions.

SMALL QUALIFIED ZONE RESIDENT:
any qualified zone resident other than a large qualified zone resident.

TAX DUE:
the amount of tax liability as determined by the Department of Taxation or the State Corporation Commission.

TAXABLE YEAR:
the year in which the tax due on State taxable income, State taxable gross receipts or State taxable net capital is accrued.

TRANSFERRED EMPLOYEE:
an employee of a firm in the Commonwealth that is relocated to an enterprise zone facility owned or operated by that firm.

UNIT OF LOCAL GOVERNMENT:
any county, city or town. Special-purpose political subdivisions, such as redevelopment and housing authorities and industrial development authorities, are not units of local government.

ZONE:
an Enterprise Zone declared by the Governor to be eligible for the benefits of this Program.

ZONE INVESTMENT TAX CREDIT:
a credit provided to a qualified zone resident pursuant to §59.1-280.1 J of the Code of Virginia.

ZONE RESIDENT:
a person whose principal place of residency is within the boundaries of any enterprise zone. Zone residency must be verified annually. Persons who meet the definition of both low-income and zone resident may not be counted as both. Qualifying business firms must claim these persons as either low-income or zone resident for purposes of meeting employment requirements.

APPENDIX A – LOCAL ENTERPRISE ZONES AND CONTACT INFORMATION

Locality	Zone Number	Designation Date	Contact Name, Phone #, and E-mail Address
Accomack and Northampton Counties	26	1/1/1995	Mr. Keith Bull, (757) 787-5700, kbull@sbo.accomack.k12.va.us
Alexandria	20	1/1/1994	Ms. Paula Riley, (703) 739-3820, alexecon@erols.com
Alleghany County, Covington and Clifton Forge	53	1/1/2001	Mr. John M. Holpe, (540) 965-6300, jholpe@covington.va.us
Brunswick County and Lawrenceville	32	1/1/1996	Ms. Melissa Spence, (434) 848-0248, mspence@meckcom.net
Carroll County and Hillsville	27	1/1/1995	Mr. Larry South, (276) 728-2128, hillsville@tcia.net
Charlotte, Lunenburg, and Prince Edward Counties	48	1/1/2000	Stephanie O. Heintzleman, (434) 454-2511, steph@co.charlotte.va.us
Chesapeake	07	1/1/1985	Mr. Ben White, (757) 382-8040, bwhite@chesva.com
Chesterfield County Jefferson Davis Zone	21	1/1/1994	Ms. Faith McClintic (interim), (804) 748-3963, faith@chesterfieldbusiness.com
Chesterfield County Walthall Zone	33	1/1/1996	Ms. Faith McClintic (interim), (804) 748-3963, faith@chesterfieldbusiness.com
Danville	01	1/1/1984	Ms. Sharon Carney, (434) 799-5261, carnesl@naxs.com
Dinkenson County, Clintwood and Haysi	49	1/1/2000	Charlotte Mullins, (276) 926-1699, cmullins@naxs.com
Dinwiddie County and Petersburg	47	1/1/1998	Mr. David S. Thompson, (804) 469-4542, dsthompson@dinwiddieva.us

Locality	Zone Number	Designation Date	Contact Name, Phone #, and E-mail Address
Galax	13	1/1/1988	Mr. Dan Campbell, (276) 236-5773, galaxcity@tcia.net
Greensville County	34	1/1/1996	Mr. Ted Costin, (434) 348-4232, planning@greensvillecountyva.gov
Halifax County and South Boston	15	1/1/1988	Ms. Patsy Y. Vaughan, (434) 572-1734, pvaughan@hcva-ida.org
Hampton Roads Center Zone	35	1/1/1996	Mr. Mike Yaskowsky, (757) 727-6237, myaz@hampton.gov
Hampton Urban Zone	08	1/1/1985	Mr. Mike Yaskowsky, (757) 727-6237, myaz@hampton.gov
Henry County and Martinsville	36	1/1/1996	Mr. Wade Nester, (276) 634-2570, wnester@co.henry.va.us
Henry County and Martinsville	54	1/1/2001	Mr. Wade Nester, (276) 634-2570, wnester@co.henry.va.us
Hopewell	09	1/1/1985	Mr. March Altman, (804) 541-2220, maltman@ci.hopewell.va.us
James City County	37	1/1/1996	Mr. Douglas Powell, (757) 259-3113, dpowell@james-city.va.us
Lancaster, Northumberland, Richmond, Westmoreland	50	1/1/2000	Jerry Davis, (804) 333-1900, jdavis@nnpdc17.state.va.us
Lunenburg County, Kenbridge and Victoria	55	1/1/2001	Mr. Len Ponder, (434) 696-2142, lponder@meckcom.net
Lynchburg Zone 1	02	1/1/1984	Mr. Keith Wright, (434) 847-1508, keith.wright@lynchburgva.gov
Lynchburg Zone 2	46	1/1/1996	Mr. Keith Wright, (434) 847-1508, keith.wright@lynchburgva.gov

Locality	Zone Number	Designation Date	Contact Name, Phone #, and E-mail Address
Mecklenburg County and Clarksville	56	1/1/2001	Ms. Melinda Moran, (434) 374-8177, clarksville@meckcom.net
Mecklenburg County, South Hill and LaCrosse	38	1/1/1996	Mr. John Stockton, (434) 447-3191, stockton@meckcom.net
Narrows	24	1/1/1994	Mr. Mark Henne, (540) 726-2423, narrows@gva.net
Newport News Mid City Zone	30	6/30/1995	Mr. Ted Figura, (757) 926-8428, tfigura@nngov.com
Newport News North Zone	31	6/30/1995	Mr. Ted Figura, (757) 926-8428, tfigura@nngov.com
Newport News South Zone	03	1/1/1984	Mr. Ted Figura, (757) 926-8428, tfigura@nngov.com
Norfolk and Portsmouth	04	1/1/1984	Ms. Nicole J. Thompson, (757) 664-4338, nicole.thompson@norfolk.gov
Orange Town	39	1/1/1996	Mr. Chris Nielsen, (540) 672-5005, assistanttownmgr@townoforangeva.org
Patrick County and Stuart	22	1/1/2002	Mike Burnette, (276) 694-8367, burnette@co.patrick.va.us
Petersburg	10	1/1/1985	Mr. Vandy Jones, (804) 733-2352, vjonespetg@earthlink.net
Pittsylvania County and Danville	57	1/1/2001	Mr. Jerry Fischer, (434) 432-7710, fischgl@ci.danville.va.us
Prince George County	16	1/1/1990	Mr. G. William Bailey, (804) 733-2680, gbailey@princegeorgeva.org
Pulaski County New River Zone	40	1/1/1996	Mr. Peter Huber, (540) 980-7705, phuber@pc-va.org

Locality	Zone Number	Designation Date	Contact Name, Phone #, and E-mail Address
Pulaski County Zone 1	25	1/1/1994	Mr. Peter Huber, (540) 980-7705, phuber@pc-va.org
Pulaski Town	41	1/1/1996	Mr. John White, (540) 994-8636, jwhite@pulaskitown,org
Richmond East Zone	29	1/1/1995	Mr. John Woodward, (804) 646-5633, woodwajw@ci.richmond.va.us
Richmond Northside Zone	28	1/1/1995	Mr. John Woodward, (804) 646-5633, woodwajw@ci.richmond.va.us
Richmond South Zone	19	1/1/1993	Mr. John Woodward, (804) 646-5633, woodwajw@ci.richmond.va.us
Roanoke Zone 1	05	1/1/1984	Ms. Susan Mueller, (540) 853-2715, smueller@ci.roanoke.va.us
Roanoke Zone 2	42	1/1/1996	Ms. Susan Mueller, (540) 853-2715, smueller@ci.roanoke.va.us
Rocky Mount	23	1/1/1994	Ms. Lara Burleson, (540) 483-0907, lburleson@rockymountva.org
Saltville	06	1/1/1984	Mr. Frank Lewis, (540) 496-5342, n/a
Scott County	43	1/1/1996	Mr. John Kilgore, (276) 386-6521, scott@mounet.com
Smyth and Washington Counties, Chilhowie, Glade Spring	51	1/1/2000	David Barrett, (276) 783-5103, dabarrett@mrpdc.com
South Hill	12	1/1/1985	Mr. John Stockton, (434) 447-3191, stockton@meckcom.net
Staunton	17	1/1/1990	Mr. William W. Hamilton, (434) 332-3869, hamilton@ci.staunton.va.us

Locality	Zone Number	Designation Date	Contact Name, Phone #, and E-mail Address
Suffolk	18	1/1/1990	Ms. Lynn Bartlett, (757) 923-3620, lbartlett@city.suffolk.va.us
Tazewell County	44	1/1/1996	Ms.Margie Bandy, (276) 988-1270, mbandy@netscope.net
Warren County	45	1/1/1996	Ms. Marla Taylor-Jones, (540) 635-2182, mtj@shenvalley.com
Waynesboro	14	1/1/1988	Mr. Brent D. Frank, (540) 942-6779, frankbd@ci.waynesboro.va.us
Wise County	52	1/1/2000	Mr. Carl Snodgrass, (276) 328-2321, econdev@naxs.com
Wythe and Carroll Counties	11	1/1/1985	Dr. Alan Hawthorne, (276) 223-3370, directorjida@wytheville.org

APPENDIX B – ACTIVITY NUMBERS

Agriculture, Forestry, Fishing and Hunting	
Activity Code	**Subsector Description**
111	Crop Production
112	Animal Production
113	Forestry and Logging
114	Fishing, Hunting and Trapping
115	Support Activities for Agriculture and Forestry
Mining	
Activity Code	**Subsector Description**
211	Oil and Gas Extraction
212	Mining (except Oil and Gas)
213	Support Activities for Mining
Utilities	
Activity Code	**Subsector Description**
221	Utilities
Construction	
Activity Code	**Subsector Description**
233	Building, Developing, and General Contracting
234	Heavy Construction
235	Special Trade Contractors
Manufacturing	
Activity Code	**Subsector Description**
311	Food Manufacturing
312	Beverage and Tobacco Product Manufacturing
313	Textile Mills
314	Textile Product Mills
315	Apparel Manufacturing
316	Leather and Allied Product Manufacturing
321	Wood Product Manufacturing
322	Paper Manufacturing
323	Printing and Related Support Activities
324	Petroleum and Coal Products Manufacturing
325	Chemical Manufacturing
326	Plastics and Rubber Products Manufacturing
327	Nonmetallic Mineral Product Manufacturing
331	Primary Metal Manufacturing
332	Fabricated Metal Product Manufacturing
333	Machinery Manufacturing
334	Computer and Electronic Product Manufacturing
335	Electrical Equipment, Appliance, and Component Manufacturing

336	Transportation Equipment Manufacturing
337	Furniture and Related Product Manufacturing
339	Miscellaneous Manufacturing
Wholesale Trade	
Activity Code	**Subsector Description**
421	Wholesale Trade, Durable Goods
422	Wholesale Trade, Nondurable Goods
Retail Trade	
Activity Code	**Subsector Description**
441	Motor Vehicle and Parts Dealers
442	Furniture and Home Furnishings Stores
443	Electronics and Appliance Stores
444	Building Material and Garden Equipment and Supplies Dealers
445	Food and Beverage Stores
446	Health and Personal Care Stores
447	Gasoline Stations
448	Clothing and Clothing Accessories Stores
451	Sporting Goods, Hobby, Book, and Music Stores
452	General Merchandise Stores
453	Miscellaneous Store Retailers
454	Nonstore Retailers
Transportation and Warehousing	
Activity Code	**Subsector Description**
481	Air Transportation
482	Rail Transportation
483	Water Transportation
484	Truck Transportation
485	Transit and Ground Passenger Transportation
486	Pipeline Transportation
487	Scenic and Sightseeing Transportation
488	Support Activities for Transportation
491	Postal Service
492	Couriers and Messengers
493	Warehousing and Storage
Information	
Activity Code	**Subsector Description**
511	Publishing Industries
512	Motion Picture and Sound Recording Industries
513	Broadcasting and Telecommunications
514	Information Services and Data Processing Services
Finance and Insurance	
Activity Code	**Subsector Description**
521	Monetary Authorities - Central Bank

522	Credit Intermediation and Related Activities
523	Securities, Commodity Contracts, and Other Financial Inve
524	Insurance Carriers and Related Activities
525	Funds, Trusts, and Other Financial Vehicles
Real Estate and Rental and Leasing	
Activity Code	**Subsector Description**
531	Real Estate
532	Rental and Leasing Services
533	Lessors of Nonfinancial Intangible Assets (except Copyrig
Professional, Scientific, and Technical Services	
Activity Code	**Subsector Description**
541	Professional, Scientific, and Technical Services
Management of Companies and Enterprises	
Activity Code	**Subsector Description**
551	Management of Companies and Enterprises
Administrative and Support and Waste Management and Remediation Services	
Activity Code	**Subsector Description**
561	Administrative and Support Services
562	Waste Management and Remediation Services
Educational Services	
Activity Code	**Subsector Description**
611	Educational Services
Health Care and Social Assistance	
Activity Code	**Subsector Description**
621	Ambulatory Health Care Services
622	Hospitals
623	Nursing and Residential Care Facilities
624	Social Assistance
Arts, Entertainment, and Recreation	
Activity Code	**Subsector Description**
711	Performing Arts, Spectator Sports, and Related Industries
712	Museums, Historical Sites, and Similar Institutions
713	Amusement, Gambling, and Recreation Industries
Accommodation and Food Services	
Activity Code	**Subsector Description**
721	Accommodation
722	Food Services and Drinking Places
Other Services (except Public Administration)	
Activity Code	**Subsector Description**
811	Repair and Maintenance
812	Personal and Laundry Services
813	Religious, Grantmaking, Civic, Professional, and Similar
814	Private Households

APPENDIX C – DETERMINING THE PORTION OF TAXABLE INCOME ATTRIBUTABLE TO CONDUCT OF BUSINESS WITHIN ENTERPRISE ZONE

General Income Tax credits only apply to taxable income of a qualified business firm attributable to the conduct of business within the enterprise zone. Any qualified business firm having taxable income from business activity both within and without the enterprise zone, must allocate and apportion its Virginia taxable income attributable to the conduct of business as follows:

1. The portion of a qualified business firm's Virginia taxable income allocated and apportioned to business activities within an enterprise zone is determined by multiplying its Virginia taxable income by a fraction, the numerator of which is the sum of the property factor and the payroll factor, and the denominator of which is two.
   a. The property factor is a fraction. The numerator is the average value of real and tangible personal property of the business firm which is used in the enterprise zone. The denominator is the average value of real and tangible personal property of the business firm used everywhere in the Commonwealth.
   b. The payroll factor is a fraction. The numerator is the total amount paid or accrued within the enterprise zone during the taxable period by the business firm for compensation. The denominator is the total compensation paid or accrued everywhere in the Commonwealth during the taxable period by the business firm for compensation.
2. The property factor and the payroll factor shall be determined in accordance with the procedures established in §§ 58.1-409 through 58.1-413 of the Code of Virginia for determining the Virginia taxable income of a corporation having income from business activities which is taxable both within and without the Commonwealth, mutatis mutandis.
3. If a qualified business firm believes that this method of allocation and apportionment will underestimate the income attributable to the enterprise zone operation, it should contact the Department of Taxation with its objections and with any alternative method of allocation or apportionment it believes to be more appropriate.

See the Program Regulations, which are available from the DHCD web site (www.dhcd.state.va.us), for details about this procedure.

Contact Information:
Virginia Department of Taxation
7th and Main Streets
Richmond, VA 23219
(804) 786-3587
http://www.tax.state.va.us

APPENDIX D – DEPARTMENT OF TAXATION REQUIREMENTS FOR REPORTING PARTNER AND SHAREHOLDER INFORMATION

In order to track the use of tax credits in Virginia, the Virginia Department of Taxation is creating a tax credit *bank* for individual taxpayers. Beginning with Tax Year 2002, **Partnership, S-Corp or LLC parent companies will have the responsibility of providing the credit disbursement information that will create these credit banks.**

Any **partnership, S-Corp or LLC parent company** must provide the Virginia Department of Taxation with an electronic version of the details of its partners or shareholders down to the **individual taxpayer level using the format specified below**.

DHCD is responsible for sending the tax credit information for the Original Parent (i.e., the entity that applies for qualification and whose name is on the Certificate of Qualification) to the Department of Taxation. This will be done in July at the same time DHCD notifies the Original Parent of its qualification. The Original Parent is responsible for sending to the Department of Taxation information showing the credit amount for each of its partners or shareholders down to the **individual taxpayer level.** This should be done as soon as possible after the Original Parent receives the Certificate of Qualification with the credit amount from DHCD. The Department of Taxation will not be able to process individual returns that claim a tax credit until the necessary information has been received from the original parent company.

NOTE: **Taxation is developing a form that may be used to submit this information. No release date has been indicated.**

However, firms that wish to submit electronically should create a "**comma delimited"** file with the following information. "Comma delimited" is a save option under Excel (CSV option) and under Access. The file should be sent to Taxation on a disk or CD to insure security of the information. **Do not** send this data via e-mail.

The Original Parent will send to Taxation a file that contains one record for each partner or shareholder that participates in the Original Parent down through to the **individual taxpayer level.** Each record will include the following information using the format described:

Field ID#	Field Name	Field Size	Character Type	Explanation
1	Credit Type Indicator	2	Alphanumeric	Enter the two letter code to indicate the type of credit EE- GITC for existing business (Form EZ-6E) EN- GITC for new business (Form EZ-6N) ER- Real Property Tax Credit (Form EZ-6R) EI- Investment Tax Credit (Form EZ-6I)
2	SSN	9	Numeric	Enter the 9 digit SSN of individual taxpayer receiving the credit. Complete this field **only** if this record is for an **individual** taxpayer.
3	FEIN		Numeric	Enter 9 digit Federal ID number of the partnership, S-Corp or LLC that received the tax credit. Complete this field **only** if the record is for a **business** taxpayer.
4	Granted Credit Amount	12 2	Numeric	Enter the 12 digit dollar amount, with cents for which the taxpayer identified in Field 2 **or** 3 is qualified.
5	Type of Grantee	1	Alphanumeric	Enter a "P" for pass through credit.
6	Tax Year	4	Numeric	Enter the 4 digit tax year that the credit was earned.
7	Original Parent FEIN	9	Numeric	Enter the 9 digit Federal ID number of the partnership, S-Corp or LLC that qualified for the tax credit (i.e., was issued the Certificate of Qualification form from DHCD).
8	Immediate pass Thru parent FEIN		Numeric	Enter the 9 digit Federal ID number of the pass-through entity to the taxpayer of this record (#2 or #3) is a direct participant. (See note.)
9	Legal Last Name	24	Alphanumeric	Last name of the taxpayer identified by this record.
10	Legal First Name	24	Alphanumeric	First name of the taxpayer identified by this record.
11	Middle Initial	1	Alphanumeric	Middle initial of the taxpayer identified by this record.

NOTES:

- Each record must have either the SSN **or** FEIN field (#2 or #3) completed. This is how the taxpayer will be identified.
- Fields 7 and 8 will contain the same FEIN number for one-tier pass-through breakdowns (i.e., LCC qualifies for credit and passes the credit directly to an individual taxpayer). In the case of multi-tiered breakdowns, these numbers will be different reflecting that the original parent passed through the credit to a partner or shareholder that is a partnership, S-Corp or LLC that in turn passes the credit through to an individual taxpayer

Contact Cathy Early at (804) 786-2992 or cearly@tax.state.va.us at the Department of Taxation with any questions about this format, these instructions, or this requirement. Send the disk or CD to Cathy Early, Virginia Department of Taxation, P.O. Box 715, Richmond, VA, 23218-0715.

Any additional information from Department of Taxation on how to file this information will be provided in July with the Certificate of Qualification from DHCD.

An example follows on the next page.

EXAMPLE

ACME LLC, **the original parent company,** submits the request for general income tax credits as an existing business to DHCD. DHCD approves $100,000 in general income tax credits for ACME LLC for Tax 2002. .

ACME LLC has two shareholders: Bob Brown and Zenith LCC. Each owns 50 percent of ACME LLC. Zenith LLC has two shareholders: Bob Smith and Ann Jones. Each owns 50 percent of Zenith LLC. Taxation must receive a record for each tier in the organization down to the individual taxpayer.

DHCD will provide the Department of Taxation with the tax credit information for ACME LLC. ACME LLC will be responsible for submitting four records to the Department of Taxation to show how the $100,000 credit issued to ACME LLC is ultimately disbursed down to the taxpayer level.

Below are the completed records for each entity:

John Brown (ACME LLC shareholder)

Field ID#	Field Name	Explanation
1	Credit Type Indicator	EE
2	SSN	John Brown SSN
3	FEIN	Leave blank
4	Granted Credit Amount	$50,000
5	Type of Grantee	P
6	Tax Year	2002
7	Original Parent FEIN	ACME LLC FEIN
8	Immediate pass Thru parent FEIN	ACME LLC FEIN
9	Legal Last Name	Brown
10	Legal First Name	John
11	Middle Initial	

ZENTIH LLC (ACME LLC shareholder)

Field ID#	Field Name	Explanation
1	Credit Type Indicator	EE
2	SSN	Leave blank
3	FEIN	ZENTIH LLC FEIN
4	Granted Credit Amount	$50,000
5	Type of Grantee	P
6	Tax Year	2002
7	Original Parent FEIN	ACME LLC FEIN
8	Immediate pass Thru parent FEIN	ACME LLC FEIN
9	Legal Last Name	ZENTIH LLC
10	Legal First Name	
11	Middle Initial	

Bob Smith (ZENTIH LLC shareholder)

Field ID#	Field Name	Explanation
1	Credit Type Indicator	EE
2	SSN	Bob Smith SSN
3	FEIN	Leave blank
4	Granted Credit Amount	$25,000
5	Type of Grantee	P
6	Tax Year	2002
7	Original Parent FEIN	ACME LLC FEIN
8	Immediate pass Thru parent FEIN	ZENTIH LLC
9	Legal Last Name	Smith
10	Legal First Name	Bob
11	Middle Initial	

Ann Jones (ZENTIH LLC shareholder)

Field ID#	Field Name	Explanation
1	Credit Type Indicator	EE
2	SSN	Ann Jones SSN
3	FEIN	Leave blank
4	Granted Credit Amount	$25,000
5	Type of Grantee	P
6	Tax Year	2002
7	Original Parent FEIN	ACME LLC FEIN
8	Immediate pass Thru parent FEIN	ZENITH LLC FEIN
9	Legal Last Name	Jones
10	Legal First Name	Ann
11	Middle Initial	

The following page shows how these records will appear in the spreadsheet submitted to the Department of Taxation.

The following table shows how these records will appear in the spreadsheet the original parent submits to the Department of Taxation. Remember, DHCD will submit the tax credit information to Taxation on the original parent, ACME LLC.

Credit	**SSN**	**FEIN**	**Granted Credit Amount**	**Type of Grantee**	**Tax Year**	**Original Parent FEIN**	**Immediate Pass Thru Parent FEIN**	**Legal Last Name**	**Legal First Name**	**Middle Initial**
EE	John Brown's SSN		$50,000	P	2002	ACME LLC FEIN	ACME LLC FEIN	Brown	John	
EE		Zenith LLC FEIN	$50,000	P	2002	ACME LLC FEIN	ACME LLC FEIN	Zenith LLC		
EE	Bob Smith SSN		$25,000	P	2002	ACME LLC FEIN	Zenith LLC FEIN	Smith	Bob	
EE	Ann Jones SSN		$25,000	P	2002	ACME LLC FEIN	Zenith LLC FEIN	Jones	Ann	